

[2nd March 1926]

\* The hon. the RAJA OF PANAGAL :—" I do not think that there is any special urgency about it. As a matter of fact, . . ."

\* Mr. S. SATYAMURTI :—" On a point of order. No speech is allowed, Sir, at this stage."

\* The hon. the PRESIDENT :—" Is the hon. the Raja of Panagal objecting ?"

\* The hon. the RAJA OF PANAGAL :—" Yes, Sir. I object."

\* The hon. the PRESIDENT :—" As objection is taken, I have to ask whether a sufficient number of Members support the motion. (After counting the Members who rose in their seats). As more than twenty Members have risen, I direct that the motion be taken at 2-30 p.m. to-day."

Rai Bahadur Sir K. VENKATAREDDI NAYUDU :—" What about the other rule that we are not to meet after the Budget speech ?"

\* The hon. the PRESIDENT :—" There is no rule. That point ought to have been raised earlier."

Rai Bahadur Sir K. VENKATAREDDI NAYUDU :—" I thought that the President himself would have raised it, Sir."

#### IV

ACTS ASSENTED TO BY HIS EXCELLENCY THE GOVERNOR-GENERAL.

\* The hon. the PRESIDENT :—" I have to announce that the undermentioned Acts which were passed by the Council received the assent of His Excellency the Governor-General on the following dates :—

The Indian Ports (Amendment) Act	...	13th January 1926
The Andhra University Act	...	14th January 1926 "

#### V

ACT ASSENTED TO BY HIS EXCELLENCY THE GOVERNOR.

\* The hon. the PRESIDENT :—" I have also to announce that the Madras Borstal Schools Act which was passed by the Council received the assent of His Excellency the Governor on the 22nd February 1926."

#### VI

BUDGET FOR 1926-1927.

\* The hon. Mr. T. E. MOIR :—" Mr. President, it is my duty, Sir, to place before the Legislative Council the Budget Estimates for the financial year 1926-1927 and, in doing so, I propose to adhere to the established convention under which this House is invited first to attend the final obsequies of the last completed financial year and then to hear how the current year has been conducting itself before passing on to the somewhat more speculative region of our prospects and intentions for the year to come.

Ac-  
counts,  
1924-  
1925.

" Our point of departure is, therefore, the final accounts of 1924-1925 which closed with a revenue of 1,627.59 lakhs and an expenditure of 1,657.07 lakhs, the deficit thus being 29.48 lakhs.

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This was an improvement on the figures of the revised estimate which anticipated a deficit of 41.86 lakhs. But the true comparison is with the original Budget Estimates which anticipated a revenue of 1,677.22 lakhs and an adjusted expenditure of 1,683.09 \* lakhs and such improvement as the figures indicate was fallacious and gave no real cause for satisfaction. The actual revenue showed a further fall of 3.48 lakhs as compared with the revised estimate and the reduction in the total adjusted expenditure of 26.02 lakhs represented mainly postponed commitments or schemes of which, although they had not been brought into effect to the extent anticipated, the full liability remained. As compared with the Budget Estimate of 1,677.22 lakhs, the actual revenues were 1,677.59, a fall of 49.63 lakhs, Land Revenue accounting for 21.81 lakhs and Exchequer for no less than 28.54 lakhs of this serious shortcoming. On the expenditure side, the most notable increases were a sum of 22.92 lakhs booked under head "52. Extraordinary Charges" and an increase of 19.45 lakhs under "Public Health." The former is an indication by no means complete of the bill which the country has had to pay and is still paying for the floods and cyclones of that year : the latter represents a book transaction, grants to this extent for water-supply and drainage schemes having been written back to the revenue account from the capital head under which they had been wrongly shown. Short expenditure under "Civil Works" of 15.23 lakhs, a write-back of nearly 6 lakhs under "Forest" from revenue to capital, and general savings under the other administrative heads helped to decrease the gap between the revenue and the expenditure of the year but, as I have already stated, in many cases liabilities were merely postponed.

"Turning now to the Loans Budget of 1924-1925, the total amount available was 130.17 lakhs which was utilized in the following manner :—The net loans and advances by the Provincial Government amounted to 66.21 lakhs ; total disbursements under Capital Heads to 18.19 lakhs ; while 29.48 lakhs was required to meet the revenue deficit, leaving a balance of 16.29 lakhs. The Revised Estimate had indeed anticipated disbursements amounting to 146.26 lakhs including a much larger revenue deficit. But the actuals showed a decrease of 14.58 lakhs under Capital Heads mainly due to the fact that, under the orders of the Secretary of State, a provision of 12.22 lakhs for grants to local bodies for water-supply

	LAKHS.
* As in the Civil Budget Estimates for 1924-1925 .. .. .	1,662.04
Add equated payment towards principal .. .. .	11.55
Repayment towards the old Provincial Loan Account .. .. .	9.50
Total .. .. .	1,683.09



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and drainage schemes was transferred to the revenue account to which it properly belongs. A sum of 7·77 lakhs relating to previous years was also written back to Revenue. There were, on the other hand, transfers from the Revenue to the Capital account in respect of commercial concerns in the Forest and Industries Departments, and under Loans and Advances by Provincial Governments actual requirements were 5·42 lakhs less than was anticipated. As a result of these variations, the Capital account had, as I have stated, an unutilized balance of 16·29 lakhs which was carried forward to the current year.

Budget  
estimate,  
1925-1926.

12 noon.

“The Council will, I think, agree with me that a year which closed with a loss under revenue of 50 lakhs as compared with budget anticipations and added 30 lakhs to our unproductive debt—a sum which would have been largely increased had the commitments of the year been met in full—not only calls for no regrets in retrospection but contained the seeds of serious financial anxieties. At any rate my predecessor in framing his budget for the current year had to deal with revenues which were showing signs of atrophy, with existing commitments to which they were unequal, and with demands for further expenditure which were stimulated by the inevitable reaction against a period of short commons and rigid economy. The estimates of revenue for the current year were, as he stated on their introduction, necessarily framed on a comparatively conservative basis. They amounted to 1,651·79 lakhs, an apparent improvement of nearly 24 lakhs over the actuals of 1924-1925. As a matter of fact, however, a sum of 12·85 lakhs was due entirely to one of those book transactions which from time to time complicate our accounts. In this particular case, there was a change in the method of accounting for the cost price of opium. The remaining 11 lakhs were accounted for by a series of *plus* and *minus* variations of which the following were the more important : Land Revenue was expected to show an improvement of 10½ lakhs, interest receipts of 4½ lakhs, Registration and Civil Works of 1 lakh each ; Miscellaneous Receipts and Adjustments between the Central and Provincial Governments were expected to show an increase of 1½ lakhs, while reduced expenditure under Working Expenses on Irrigation and connected works was expected to improve our general resources by a sum of 9 lakhs ; on the other hand, normal Excise revenue was expected to show a reduction of 3¾ lakhs, Stamps a reduction of 3 lakhs, Industries of 3¾ lakhs and receipts in aid of superannuation of 2½ lakhs ; receipts under Forests and Education were expected to be less by 1 lakh and Rs. 60,000, respectively, and under Taxes on Income no receipts were anticipated against 1½ lakhs in 1924-1925.

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“ I would first examine how far these revenue anticipations are likely to be realized and call attention to any important variations indicated by the actuals for the period of nine months, the latest for which figures are available. The revised estimate for 1-25-1926 is 1,641.96 lakhs or 9.83 lakhs less than the budget estimate. To arrive at the true figure, however, two adjustments must be made. In the first place as a result of improved income-tax collections we now expect to receive a sum of 3 lakhs under the operation of Devolution Rule 15, whereas the budget estimate anticipated no receipt under this head. Against this welcome windfall, however, has to be set a loss of 1.94 lakhs under Miscellaneous Adjustments between the Central and Provincial Governments. This is the result of the decision of the Government of India announced in the budget speech of the Finance Member that a refund of customs duty would in future be withdrawn from those provinces to which a part remission of their contributions to the Government of India under Devolution Rule 18 had been allowed.

Revised  
estimate,  
1925-1926.

“ The net fall anticipated under all Revenue heads is therefore 10.89 lakhs. We may now examine the causes of this to us somewhat serious loss. In the first place our expenditure under Revenue head XIII. Irrigation and other works—for which Capital Accounts are kept—is expected to exceed the budget estimate by 5.26 lakhs and thereby automatically reduce the net revenue to the same extent. This is mainly due to increased expenditure on the repair of damages caused by those floods and cyclones from which we have suffered so much in recent seasons and have not been immune in the current year. Omitting this item there is a net deficit of 5.63 lakhs under other heads, the result of increases amounting to 13.27 lakhs and of decreases amounting to 18.90 lakhs. I propose to confine attention to the more important of the items thus affected rather than to those departmental receipts which while in the aggregate they form a not unwelcome addition to our resources necessarily show individual fluctuations from year to year. The most important increase is under Stamps, 5.43 lakhs. Under Civil Works an increase of 1.90 lakhs is mainly accounted for by recoveries from the Travancore and Cochin Darbars on account of previous expenditure from revenue on works connected with the Cochin Harbour operations. This is a non-recurring receipt. An increase of 1.54 lakhs under “ Receipts in aid of superannuation ” is also almost entirely due to payment of arrears by the Central Government and other Provincial Governments, while other recoveries of a non-recurring character account for an increase of 1.76 lakhs under ‘Miscellaneous.’ Of the more important decreases, that of .65 lakhs under Land Revenue is the net result of considerable variations



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under certain minor heads. Collections are expected to be 6·40 lakhs less than the budget estimate, and under refunds, payment to local boards of arrears of land cess relating to 1923-1924 and 1924-1925 will reduce our net receipts by a further sum of 7 lakhs. Fortunately, inclusion fees in the West Gōdāvari and Kistna districts, and other non-recurring items come to our rescue and help to increase miscellaneous receipts by 12·74 lakhs.

“ ‘Excise’ is expected to show a decrease of 12·10 lakhs, and, as I shall show when I come to deal with the budget estimates for next year, there is from the financial point of view no consoling factor in this case, which apparently represents a permanent and cumulative loss of revenue beyond even our anticipations. Under Forests a decrease of 3·19 lakhs is mainly due to book transactions arising out of the introduction of commercial accounts.

“ If we turn now to the expenditure side, it has to be remembered that the budget estimate of 1,622·21 lakhs did not include subsequent appropriations or supplemental grants from the balance of 29·58 lakhs available for further expenditure out of the part remission of our contribution to the Government of India. These appropriations amounted to 28·28 lakhs, of which 1·36 lakhs relating to urgently required protective works was taken to the revenue head “ XIII. Irrigation—Working Expenses ”. The net addition to the expenditure heads was therefore 26·92 lakhs and the total expenditure thus provided for amounted to 1,649·13 lakhs. Our actual expenditure is, however, expected to amount to only 1,635·77 lakhs, leaving a revenue surplus of 6·19\* lakhs to the disposal of which I shall make subsequent reference.

“ This short expenditure is itself a result of *plus* and *minus* variations of which a full explanation is given in the Secretary's memorandum. The more important are an increase of 1·08 lakhs under Land Revenue due to the new procedure for accounting for the Government share of demarcation charges under the Survey and Boundaries Act, 1923, an increase of 8·26 lakhs under 15. Irrigation, owing to heavy additional expenditure on flood damages and an increase of 5·10 lakhs under 22. General Administration, the main contributory causes being the constitution of a new Public Works Secretariat, smaller recoveries for income tax services, travelling allowances for the Legislative Council and the debit to this head of its share of the detailed distribution among departments of the cost of concessions under the Lee Commission for which a lump provision was originally made under 47. Miscellaneous. 33. Public Health takes 1·24 lakhs more.

\* The Revised estimate for 1925-1926 as given in the Civil Budget Estimate is 1,641·96 lakhs which includes the anticipated surplus of 6·19 lakhs.

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“Short expenditure or savings are indicated mainly under 19. Interest on ordinary debt, 2·98 lakhs, 24. Administration of Justice, 52 lakhs, 26. Police, 4·05 lakhs, 31. Education, 3·51 lakhs, 35. Industries, 1·52 lakhs and 45. Superannuation Allowances and Pensions, 3·23 lakhs. A saving of 1·30 lakhs under 6. Excise is mainly due to a reduction in the cost price of opium. The savings of 3·44 lakhs under 46. Stationery and Printing are due almost entirely to a fall in the cost of paper and smaller purchases for stock.

“The Revised Estimate of our Loans Budget for the current year does not call for detailed comment. Our original requirements of 101·21 lakhs were reduced in July last to 88·61 lakhs when it was ascertained that there would be a balance carried forward from the previous year which as finally fixed was 16·29 lakhs and, as will be seen from the fact that we now expect to carry a balance of 6 $\frac{3}{4}$  lakhs forward to 1926-1927, we have managed to keep our disbursements within the limits thus fixed. The main items of variation on the disbursement side have been an increase of 1·21 lakhs in capital outlay on Forests, an increase in the capital expenditure on Irrigation Works of 8·38 lakhs accounted for by unforeseen expenditure on the Polavaram Island Project, on the Kattalai Canal Scheme and the Bezwada Canal Regulators. Against these may be set a decrease in capital expenditure on Civil Works amounting to 8·21 lakhs and in our *net* Loans and Advances of 5 lakhs. That figure itself, however, is a result of further variations. Short expenditure on the Cochin and Tuticorin Harbours provides 5 $\frac{1}{2}$  lakhs, while an additional provision of 6 lakhs for loans to agriculturists was found necessary as part of the campaign for restoring normal conditions in flood-affected areas. Other minor variations and recoveries of 4 lakhs in excess of the budget estimate will leave us a balance of 6 $\frac{3}{4}$  lakhs with which the Budget Estimate for next year opens.

“We may now turn to the Budget Estimates for 1926-1927. Under the Revenue heads our total receipts are estimated at 1,634·20 lakhs, or 7·76 lakhs less than the Revised Estimate for the current year. The actual variation is, however, only Rs. 84,000 as a deduction of 40·83 lakhs or 6·92 lakhs in excess of the Revised Estimate has to be made under XIII. Irrigation and other works, for which Capital Accounts are kept. Attention has already been drawn to non-recurring items of receipt in the current year amounting to about 18 lakhs, the most important being inclusion fees in the Kistna district—a sum of 13 lakhs. Our estimates therefore anticipate an increase in our ordinary revenues of about 17 lakhs. To this

Budget  
estimate,  
1926-1927.



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increase Land Revenue contributes about  $9\frac{1}{2}$  lakhs, including a reduction in refunds of  $6\frac{3}{4}$  lakhs, Stamps 3·24 lakhs, Forests 70 lakh, Registration 91 lakh. The only decrease which need cause us financial concern is a further fall of 1·28 lakhs under Excise revenue. Compared with the corresponding figures\* of 1924-1925 there is a total decrease of 17·14 lakhs and of 46·25 lakhs as compared with the maximum revenue of 532·10\* lakhs in 1923-1924. The question of Excise policy was very fully debated at the last meeting of the Legislative Council, and, speaking from the purely financial point of view with which alone I am at present concerned, I need only say that we are already faced with a permanent and progressive reduction in revenue and that on the expenditure side, the other financial factor to which I ventured to call attention, the demand for additional staffs to enforce policy—has now made its appearance. Other variations relate to departmental receipts which, as I have stated, are usually of a fluctuating character. Land Revenue, Excise and Stamps are expected to provide  $1,479\frac{1}{2}$  lakhs out of a gross revenue of  $1,680\frac{1}{2}$  lakhs or 88 per cent of our resources. They are all sensitive to the effects of an unfavourable season as it is and the intromission of new and adverse influences will raise fresh and difficult financial problems. 1,634·20 lakhs is then the best estimate which can be made of the revenues which will be at our disposal for expenditure in the current year and with reference to which our expenditure must mainly be determined. It might seem that the process of estimating expenditure is comparatively simple and all that is necessary is to examine how much we are now spending: if there is anything over, to use it for such purposes as seem most necessary and, if there is not enough, to cut out such items as seem least essential. Now, it is perfectly true that the bulk of our expenditure is recurring and that each year takes over the burden of its predecessors; but the process of annual adjustment is not quite so simple as it seems. There may be a considerable solid and permanent core to our expenditure, but there is a wide ring of superincumbent matter the structure of which is in a constant state of flux. The non-recurring needs of one year are succeeded by the non-recurring needs of the next. Existing schemes give rise to unforeseen expenditure and new processes or methods give rise to demands for new plant or personnel.

	As in Civil Budget Estimate.	Add cost price of opium.	As adjusted.
	LAKHS.	LAKHS.	LAKHS.
Accounts, 1923-1924 ..	518·87	13·23	532·10
„ 1924-1925 ..	490·14	12·85	50·99
Budget Estimate, 1926-1927	485·85	..	485·85

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Even assuming, therefore, that the work to be done and its cost remained the same, each year would bring its numerous series of adjustments and alterations. Further, even in respect of existing establishments, two factors are at work which make it impossible for us to meet the same requirements or commitments at the same cost. In the first place, with few exceptions, our officers and establishments are on the incremental scales which were introduced with the revision of salaries in 1921. These incremental scales which, save in case of gross misconduct, are practically automatic in their operation, superseded graded cadres in which promotion was less regular in its operation and, as a rule, determined rather by the criterion whether promotion was justified than by the criterion whether there was sufficient cause to refuse it. In many cases, too, incremental scales were substituted for fixed pay. Provision was also made for their application to various establishments which, though classified as temporary, were semi-permanent in character. The minimum pay of new recruits was replaced by the new minima fixed, but, in the case of existing establishments, positions in the incremental scales were determined with reference to the nearest points in the new scales. As a result, the full effect of the incremental system was not at once felt and year by year our charges, even with reference to the same number of Government servants, have been steadily increasing. That process is not yet at an end. For example, in the current year, the additional charge on this account is estimated at  $13\frac{1}{2}$  lakhs and for next year a further charge of  $9\frac{1}{4}$  lakhs has to be provided for. Even if no additions had been made to our establishments since the incremental scales were introduced, some years would yet elapse before the average cost was attained: and every addition to those establishments is adding to our lists more employees whose maximum pay will be attained only at the end of the period over which their increments extend. Another item in respect of which our annual charges are steadily increasing is 'Superannuation Allowances and Pensions'. This might seem to be disproved by the figures given in the statement of Revenue and Expenditure but, to arrive at a correct comparison with the accounts of 1924-1925, it is necessary to add to the figures of 1926-1927 a sum of 6 lakhs for the commuted value of pensions and to deduct from the figures of 1924-1925 a sum of 3.95 lakhs representing pensions paid at Bangalore and Trivandrum which were wrongly debited to 'Provincial' in that year. The real increase is, therefore, in the neighbourhood of  $9\frac{1}{2}$  lakhs or at the rate of  $4\frac{3}{4}$  lakhs a year. Here, again, we have by no means arrived at a figure representing the average annual cost as the new system under which Provincial Governments



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have to meet all pension charges arising since the introduction of the financial settlement has been in force only for a period of five years. Other charges on our revenues which show a progressive increase are the interest on our ordinary debt and the reduction or avoidance of debt. The more we borrow unfortunately the more we have to pay under both heads: and apart from our normal and legitimate borrowings we have, since the Reforms, had to borrow considerable sums in certain years in order to balance our Budget. Apart from these items, each year leaves fresh commitments to the next. Many schemes involve progressive and increasing expenditure over a period of years before full effect is given to them. A new building, for example, may involve expenditure over a period of four or five years; a new establishment may attain its full strength only in a similar period. No department is averse from the ingenuous and modest plea that its latest bantling is only a little one and all departments deprecate undue attention being focussed on the potentialities of lusty growth which their offspring quickly manifest. When all these numerous and complicated calculations had been worked out, it was found that our anticipated revenues would fall short of expenditure to which we are already committed for the year 1926-1927 by 3.91 lakhs; that is to say, in order to balance our budget without providing for any additional expenditure at all, we should be under the necessity of borrowing that sum. At the same time, we had demands from the various departments for new schemes which they regarded with an affection which was as impartial as it was intense, the ultimate cost of which was estimated at 17.52 lakhs recurring and 141.51 lakhs non-recurring. The demands for actual expenditure in 1926-1927 amounted to 11.95 lakhs recurring and 69.59 lakhs non-recurring. A total of 334 schemes were placed before the Finance Committee which gave special preference to 272 schemes, of which the total cost was 66.81 lakhs, relegated 42 schemes costing 12.31 lakhs to a less distinguished position and refused their approval to ten schemes costing .99 lakh. Three schemes costing 1.40 lakhs were not finally classified.

“On a review of all the materials thus placed before it, the Government decided to make provision in the budget for schemes the expenditure on which in the coming year was estimated to be 11.33 lakhs recurring and 61.22 lakhs non-recurring, and involving a total commitment of 16.51 lakhs recurring and 128.14 lakhs non-recurring. Our estimate of expenditure charged to revenue for the year 1926-1927 therefore amounted to 1,710.66 lakhs, or 76.46 lakhs in excess of our anticipated revenues. The Council will no doubt be anxious to know the reasons which to our

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mind justified our contemplating such a large addition to our existing indebtedness. Our justification was twofold. It would be seriously adverse to the political and administrative advance of the province if in the wide field of our activities progress and improvement came by jerks and spasms, years or periods of stagnation being followed by years or periods of feverish activity. Financial circumstances may some day compel us to relapse into stagnation, but that time is not yet. The resources from which our revenues are derived are unimpaired; they are the general wealth of the country. Where unimpeded, these revenues continue to expand although they have not been adequate to the abnormal demands of the past few years, and if the manner in which they are drawn is open to objection or is failing in effectiveness, new machinery can be devised or existing machinery improved. It may be urged that further resources should have been searched out before additional expenditure was proposed, and if we were convinced that normal conditions had been re-established, I should be disposed to agree: but in the first place we were entitled to look forward to the disappearance of considerable expenditure of an abnormal and non-recurring character, and in the second place we were not forgetful of the fact that we still had expectations, the equity of which was admitted—I refer to the contribution of  $2\frac{1}{4}$  crores which we still make to the Government of India from our revenues, a contribution of which they are pledged to relieve us. Unfortunately, when framing our budget proposals, we never know to what extent the Government of India will in any given year give effect to this undertaking. But we had some hopes that a further remission would, to some extent at any rate, reduce our anticipated deficit. These hopes have been realized. In the speech with which he introduced the budget for 1926-1927, the Finance Member of the Government of India announced their intentions as regards the divisible surplus of 130 lakhs at their disposal in the following words:—

‘The House will, I feel sure, have no hesitation in agreeing that past expressions of policy and the truest interests of the people of India alike demand that, after using  $1\frac{3}{4}$  crores of the sum at our disposal for the reduction of Central taxation, we should devote as much as we can of the rest to the relief of the Provinces. We accordingly propose to apply 125 lakhs to the further reduction of the provincial contributions in accordance with the Devolution Rules. The relief thus afforded will go to the extent of 57 lakhs to Madras, 33 lakhs to the United Provinces, 28 lakhs to the Punjab and 7 lakhs to Burma.’



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“ Past experience warns us that there are always risks to be run before such proposals are made good. But we sincerely trust that neither here nor at Delhi any suggestion that this surplus should be diverted to other purposes will be brought forward or given any measure of support. By this remission of 57 lakhs to be utilized for our own purposes the addition to our debt which we contemplate in the coming year will be reduced to 19.46 lakhs. So far, however, as our total liabilities are concerned we hope by the debt operations of the current year to more than cover this amount. We anticipate a small surplus of 6.19 lakhs in the current year, and we also expect a sum of 17.91 lakhs to be adjusted in our favour in the current year as a refund of those pension charges to which I have already referred as having been wrongly debited to us in past years. These sums we propose to utilize for the reduction of existing debt. In the result, therefore, we expect by the end of 1926-1927 to have provided for new expenditure to the extent of 72.55 lakhs and to have reduced our existing indebtedness by the modest sum of  $4\frac{1}{2}$  lakhs.

“ With your permission, Sir, I shall now pass briefly in review the most important of the new schemes for which provision is made in next year's budget.

“ Out of a total expenditure of Rs. 72,55,000, Rs. 14,59,000 go to EDUCATION, the principal items being 3.13 lakhs for the opening of new elementary schools, a lakh for the Andhra University; and a lakh for research laboratories in the Madras University. A sum of Rs. 89,500 is provided for strengthening the Subordinate Inspecting Agency, and the balance goes to building and equipment grants for aided institutions, subsidies to local bodies and miscellaneous objects.

“ Under MEDICAL a sum of Rs. 4,96,300 is provided and will be utilized mainly for improvements, on additional equipment or establishments in Government hospitals and for grants-in-aid to private hospitals and local institutions. Rupees 34,000 is provided for expanding the scheme of medical relief in rural areas.

“ Under IRRIGATION a sum of Rs. 4,17,600 is found, of which almost the whole is to be devoted to the improvement of minor irrigation works.

“ FORESTS take  $1\frac{1}{2}$  lakhs and this sum will be devoted mainly to works required for the exploitation of our forests, including roads, quarters, and Rs. 31,300 for the Anamalais Sleeper project.

“ Under POLICE a sum of Rs. 1,49,000 is required for the reopening of the Central Recruit School, Coimbatore, the reorganization and equipment of the Special Police Forces and additional police

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for the improvement of traffic control in the Madras City. Minor items include additional establishment for the work which is being done among the Kallars.

"PUBLIC HEALTH requires a sum of Rs. 2,33,500, the principal items being additional Health officers, Health Inspectors and Vaccination staff and a non-recurring grant of Rs. 1,37,000 for new water-supply schemes.

"Under AGRICULTURE, including Veterinary and Co-operative credit, requirements are Rs. 1,78,300 and this sum represents mainly the normal expansion of the activities of these departments. The most important item is Rs. 88,600 for the expansion of the Agricultural station at Anakapalle and the extension of work on sugarcane. 12-30  
P.M.

"The INDUSTRIES department is allotted Rs. 1,96,000, the most important items being Rs. 94,500 for grants-in-aid to industrial schools and Rs. 52,900 for the purchase of additional machinery for the Pumping and Boring branch.

"Under MISCELLANEOUS departments a sum of Rs. 4,07,100 is almost entirely due to the further activities of the Labour department in connexion with the depressed classes, the Kallars and the criminal settlements. A provision of Rs. 62,000 is required to enable operations to be extended to another two districts.

"Under STATIONERY AND PRINTING the main item is a purchase of six linotype machines for the Government Press, Rs. 1,15,000.

"It is, however, under CIVIL WORKS—a general service head for all departments—that the bulk of the expenditure will be met. The total provision for new works is Rs. 23,66,100, and for additional establishments Rs. 75,900 including the creation of a new Tanjore circle to deal with the recommendations of the Cauvery Committee and other urgent requirements, the revival of the Guntur division and staff for the localization of the second-crop zone in the Godavari Western delta. Grants to local bodies for roads and bridges amount to Rs. 7,72,000.

"Turning now to our loans budget, a total of 289.61 lakhs as shown in the Civil Budget Estimate which will now be reduced to 232.61 lakhs as a result of the remission of 57 lakhs requires some explanation. Our actual borrowing will be less than that sum by 6½ lakhs, the unutilized balance of our loans budget for the current year. Capital expenditure accounts for 158.29 lakhs. Of this amount one crore will be required for the Mettur project, the total expenditure on which will eventually exceed six crores. Since the



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sanction of the Secretary of State was received to the estimates much attention has been devoted to problems of organization and equipment with reference to modern practice. It is hoped that the careful consideration which is being given to all these matters will not only reduce possible waste to a minimum, but also to the great benefit of our revenues enable construction to be carried through in a less period of years than was anticipated in the sanctioned programme. A further sum of 28.65 lakhs is provided for other irrigation works and improvements under construction or to be commenced in 1926-1927. Six lakhs is provided for payment of the commuted value of pensions: under the orders of the Secretary of State such payments are, in future, to be debited to a capital head and repaid from revenue by equated payments spread over fifteen years. A small sum of Rs. 1,79,000 represents capital investments in forests and other commercial undertakings, principally capital expenditure on our cinchona plantations. A further provision of 11.85 lakhs is made for certain important civil buildings which were commenced from loan funds and ten lakhs are provided for the Pykara Hydro-Electric project, the plans for which will, it is hoped, be sufficiently advanced to admit of construction being commenced next year. Under Provincial Loans and Advances a sum of 85.43 lakhs is provided involving a net borrowing of 54.86 lakhs as recoveries of past loans are taken in reduction of requirements. Of this sum  $7\frac{1}{2}$  lakhs is a loan to the Madras Corporation for its water-supply and drainage scheme; 11 lakhs are provided for the Cochin and Tuticorin harbour works; approximately 6 lakhs go to local boards for roads and bridges; and 15.31 lakhs go to mufassal municipalities, the principal items being 8.77 lakhs for the Coimbatore water-supply, and  $2\frac{1}{4}$  lakhs for the Madura drainage scheme. 27.32 lakhs are provided for advances to cultivators under the Land Improvement and Agriculturists Loans Acts, an important item being 5.68 lakhs, advances to Co-operative societies for the reclamation of silted lands in Tanjore and Trichinopoly. Miscellaneous advances include those for the acquisition of house-sites and building houses for the depressed classes, loans to Kallar Co-operative societies, and for the initiation or extension of new developments in the co-operative world, such as, house building societies, cattle insurance societies and land mortgage banks. Our original proposals contemplated the borrowing of a further sum of 76.46 lakhs in order to balance our budget, but our requirements under this head are now reduced to 19.46 lakhs. The House will perhaps bear with me if I review briefly the progress of our loans transactions since the introduction of the Reforms. Our total liabilities under the financial settlement amounted to 985.12 lakhs composed of 875.26

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lakhs, capital expenditure on irrigation works in respect of which we pay interest to the Government of India but are under no obligation of repayment, and 109·86 lakhs, the balance of the old provincial loans and advances which we are bound to liquidate by annual payments of 9·50 lakhs. At the end of the next financial year our debt will amount to 1,510·49 lakhs, an increase of 525·37 lakhs in six years. During that period we shall have repaid 161·39 lakhs out of our total borrowings and interest charges will have amounted to 274·18 lakhs. These figures are not in themselves alarming. By far the greater proportion of our additional debt represents remunerative or what we hope will be remunerative expenditure. The largest item, 310·16 lakhs, represents loans to other parties which they repay to us, and our deadweight debt will amount to the comparatively small sum of 65 lakhs. The weakness of our position lies in the fact that the margin between revenue and expenditure from which we have been meeting the charges on our loans has disappeared, and that an annual addition of even a few lakhs to these charges is now a source of considerable embarrassment. And now, Sir, I may perhaps be permitted a few words on that factor of the unexpected which ever dogs our financial footsteps.

“The science of meteorology is not yet sufficiently exact to give us infallible warnings as to when a bad season may be expected and as a result budgeting in India generally assumes normal collections and normal expansion of revenue. Unfortunately we are not infrequently betrayed by the hundred-and-one vicissitudes of the seasons as they pursue their course over 12 degrees of latitude. Our revenue calculations are upset, and we have also to find money not only for relief measures but for repairing damages by flood or cyclone. It is interesting but gives no comfort to surmise that in recent years we have suffered unduly from the indisposition of that capricious luminary the sun. The year 1924-1925, for example, was exceptional only in certain limited areas but the floods there involved a loss of revenue of nearly 4 lakhs while the total bill for repairing the damage caused by floods and cyclones in that and the previous year is estimated at about 95 lakhs, of which a balance of 24½ lakhs will remain as a charge on the revenues of years subsequent to 1926-1927. These mishaps have also revealed the fact that in the Cauvery delta the standard at which training and protective works are maintained is inadequate, and that money must be spent not only on restoring but also on improving the conditions which existed before the floods. Such financial misfortunes when they arise are at present met by the somewhat crude expedient of restricting or postponing expenditure under



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the sanctioned budget programme, a method which is good neither for the temper nor for the morals of spending departments and, of course, in the long run, entails that further expenditure to which procrastination gives rise. It has been urged that the only way to meet such vicissitudes is to form a reserve or equalising fund which, at any rate within certain limits, would enable such extraordinary expenditure to be met without encroaching upon the administrative programme of the year. We have one Fund of this character—the Famine Insurance Fund. In this province the minimum statutory total of the Fund is 39.66 lakhs, an annual assignment of 6.61 lakhs being made until that minimum is attained. Meanwhile of course the balances are available for the purposes of the Fund: but these purposes are very strictly defined and safeguarded. They are:—

‘The relief of famine or the construction of protective irrigation works or other works for the prevention of famine’.

‘This Fund, therefore, provides no reserve from which loss of revenue can be equalised and is not available for the restoration of roads, bridges, Government buildings and other needs of that kind. Even for its restricted purposes, it forms a very modest reserve and the actual position of the Fund as estimated from its inauguration to the beginning of the next financial year is—

	RS.
Total receipts with interest . . . . .	35,06,821
Expenditure incurred on the statutory purposes of the Fund. . . . .	13,41,138
Balance . . . . .	21,65,683

“At this rate, the statutory minimum of 40 lakhs will be attained in another four years. In other respects we remain entirely at the mercy of the elements and our own optimism. I refer to this matter because it is a weak spot in our financial armoury which requires to be remedied. Any remedy, however, must imply surplus revenues from which a reserve of some sort can be built up: and unfortunately if bricks cannot be made without straw, it is equally impossible to build up a Reserve Fund out of a series of deficits.

“There is one other point of considerable importance in our financial organization to which I would call attention. A very considerable proportion of our revenues goes towards supplementing the resources of local bodies. These resources, even if efficiently administered and developed, are quite inadequate to meet the many claims upon them: but that fact makes it more imperative that they should be carefully husbanded. I am afraid that there is

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clear evidence of laxity in collection. In the last three years, collections have been under 85 per cent of the demand. That is a matter to which my Hon'ble Colleague the Raja of Panagal is devoting his earnest attention and I sincerely trust that his effort will result in a distinct improvement: for our provincial finances are sufficiently strained to meet the legitimate requirements of local bodies without being called upon to shoulder a further burden arising out of their remissness or inefficiency.

“And now, Sir, it is my pleasant duty to give honour where honour is due, and to pay a well-earned tribute to the officers and establishment of the Finance Department for the manner in which they have discharged their onerous duties during the past year and for the unfailing cheerfulness with which they have sustained the very heavy burden which the budget season invariably imposes upon them. Eternal vigilance is said to be the price of freedom. It is equally essential to sound financial administration and we owe a real debt of gratitude to Mr. Boag, to Mr. Brown, and to their assistants for the manner in which they have discharged their responsibilities. I would also cordially acknowledge the manner in which the Members of the Finance Committee and of the Public Accounts Committee have met the many heavy calls upon their time and the great value of their deliberations to this Council. In the words of Cicero, a great financial authority of the ancient world, “*magnum vectigal est parsimonia*”, thrift is a great source of revenue, and I can assure the House that that consideration is ever present to the mind of the Finance Department and of the Committee to which this House has entrusted important financial functions.

12.45  
p.m.

“I need hardly say that it is a disappointment to me that even in spite of a further remission of our contributions I have not been able to place before this Council a more attractive picture of our financial position. It is however unnecessary as yet to take a sombre view of our prospects. But I sincerely hope that in the coming year we may be free from a recurrence of those many adverse circumstances which, since the Reforms, have with little intermission embarrassed our finances. If that hope is realised the year 1926-1927 may close under more favourable conditions than I have ventured to anticipate in the Budget which is now placed before this House. We do require a breathing space in order to liquidate in full the heavy charges which past misfortunes have imposed upon us, for in spite of much solid advance accomplished in recent years there are still crying needs to meet which our revenues even in the most favourable circumstances remain inadequate.



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“With your permission, Sir, I may add one word. It is not possible to incorporate in the papers placed before the House the results in all cases of the alterations in our figures resulting from the further remission of the provincial contribution. We also recognise that the figures do not always explain themselves, and it is somewhat difficult to anticipate in all cases where exactly explanation may be required. If on any point any Member of the House finds some difficulty in understanding or reconciling the figures, if he would kindly make a note of his difficulty and send it either to Mr. Boag or myself or come and see us, we shall be very glad indeed to have any difficulty cleared up and to find for the hon. Member the explanation which he seeks.” (Cheers).

\* The hon. the PRESIDENT:—“Before we adjourn for lunch I should like to remind hon. Members that motions for reduction of grants should be sent in before 3 p.m. on the 9th March 1926 and also that where token motions are made, I shall be obliged if hon. Members will, in accordance with the practice followed last year, add the purpose, so that I may be able to arrange the order in which the motions should be discussed.

“The House will now adjourn and meet again at 2-30 p.m.”

### After Lunch 2-30 p.m.

#### III.—MOTION FOR THE ADJOURNMENT OF THE BUSINESS OF THE HOUSE TO DISCUSS THE DEATH OF A STUDENT WHO WAS DENIED ADMISSION INTO THE GENERAL HOSPITAL—*cont.*

\* Mr. S. SATYAMURTI:—“Before I make my motion, may I rise to a point of order? I espy a stranger in the House (referring to Major-General Symons).”

\* The hon. the PRESIDENT:—“The Surgeon-General has been appointed a Special Member in connexion with the Nurses and Midwives Bill.”

\* Mr. S. SATYAMURTI:—“He has been appointed for that Bill. Do you really consider, Sir, that a Member appointed for that Bill can be present at a meeting of the House at which the Bill is not set down on the agenda and is not likely to come up and when a motion touching his department is being discussed? I ask for a ruling on the matter.”

\* Diwan Bahadur M. KRISHNAN NAYAR:—“May I draw your attention, Mr. President, to a decision of your predecessor, the late Mr. Swamikannu Pillai, when a similar point of order was raised by my Friend? Mr. Gopalaswami Ayyangar had then been appointed as a Special Member in connexion with the Religious Endowments Bill. He was present at the time in the House, after the consideration of the Bill was over—the consideration of that Bill, if I remember correctly, was over in the forenoon—and at 4-30 or so Mr. Gopalaswami Ayyangar was present in the Council. My learned Friend, the Member for the University, raised this identical point